

Digest of A Performance Audit of Davis Mental Health Center Non-client Activities

There are a number of deficiencies with the administrative operations of Davis Mental Health that are a direct result of poor financial controls and insufficient oversight. These deficiencies are the theme running through the audit. Poor controls and insufficient oversight have allowed the executive director to abuse his business travel privileges, gain significantly from compensation and perquisites that are far above reasonable levels, operate a recreational program that is not necessarily in the best interest of Davis clients, and utilize funding from a second board in a manner unacceptable to the funding donors. We believe that, between 1993 and 1996, the Davis Mental Health director personally gained by at least \$80,000 by taking advantage of the organization's deficiencies outlined in this report and, has unnecessarily received an additional \$29,500 in the form of excessive salary. Correction of the organization's administrative problems cannot be achieved by just altering organizational policies and procedures. The causes of the organization's administrative problems are pervasive and deeply embedded within its structure and may need to be addressed by organizations beyond Davis management and the Davis Board. Davis client services, beyond its recreational programs, were not reviewed in the course of this audit.

Perhaps the most important issue to surface from this report is that of oversight. As early as 1991, audits by the Utah Department of Health and by Davis' own external CPA firm identified documentation problems specifically dealing with the director's travel, meals, and mileage. There was no apparent action taken by the Davis Board and, in fact, we have been told by a board advisor that this information never was given to the board. Without complete information, oversight is greatly reduced and funding can be used inappropriately.

Mental health organizations are funded with federal flow-through monies entrusted to the state and state monies dedicated to mental health by the Utah Legislature which are combined with some local monies. Accompanying these funds is the expectation that they will be used efficiently and effectively when they are transferred to the custody of the state-approved mental health authority. The mental health authority (Davis County Commission), as in the case of Davis Mental Health, has allowed privatization of this function which entrusts the operation and funds to a board-controlled private corporation. That board, in turn, entrusts operational controls to the corporation's management. If each of these steps is not completed with diligence, oversight by the authority may be reduced, thus also reducing financial controls. We believe that oversight and financial control of Davis Mental Health operations have, indeed, been compromised in this process and that other mental health centers with similar organizational structures are at risk of having similar problems.

This audit is the product of a joint effort by the Office of the Legislative Auditor General and the Department of Human Services. The Department of Human Services requested that the Utah State Legislature direct the Office of the Auditor General to conduct a review to answer numerous concerns with the administrative operations of Davis Mental Health. Prior to and during the audit there were a number of specific allegations, all concerning the center's director and his use of public monies or equipment. The audit's major objective was to answer legislative and public concerns as they apply to administrative operation and control of Davis Mental Health. In addressing legislative concerns, we have reviewed Davis' administrative operations from a "sources and uses of funds" perspective. We reviewed funding sources as identified in the center's accounts receivable system and reviewed uses of funds by reviewing vendor files and the accounts payable system.

The results and conclusions found in this audit are based on information made available to the audit team by Davis. Davis records are, unfortunately, incomplete and may have incorrectly recorded information. The report's findings have been presented to management and they have brought no contrary data forward.

The following summaries identify the most significant findings and conclusions of the audit:

Director's Travel is Inappropriate and Overstated. The Davis director has received more than \$22,000, between 1993 and 1996, for business travel reimbursements that are overstated and inappropriate, given Davis policies and generally accepted business practices. The director's overstated travel appears to be the result of the confusion created by the director's excessive volume of travel in combination with poor board and financial controls at Davis. Generally, the director has been allowed to bypass normal controls over travel expenses that are applied to other employees such as: preapproval of travel, submission of receipts, documentation of travel purpose, and trip expense reconciliation. The director's questionable travel reimbursements can be divided into four areas. First, \$7,000 of overpayments for airfare where the director billed the center more than he actually paid. Second, \$3,300 of multiple billings of the same expenses. Third, \$6,200 of payments for the director's spouse to accompany him on trips. And, fourth, \$5,900 of payments for charges made on personal extensions of business trips.

Director's Compensation and Perquisites are High. Over the last three years, Davis Mental Health's director may have been overpaid as much as \$29,500 in salary, \$35,500 for bonuses and on-call, and \$22,000 for meals and mileage perquisites that lack documentation and appears overstated. In 1996 the director received about \$10,000 more in salary than directors in other major Utah centers. Additionally, for the same year, he received a generous bonus and on-call pay amounting to \$10,900 (of this value we question \$8,600 as inappropriate) that directors in comparable centers did not receive and \$6,700 of excessive mileage and meal payments. As a result, in 1996 alone the Davis director received \$27,600 more than his peers in the form of compensation and perquisites (meals and

mileage).

Some Recreational Therapy Program Operations are Inappropriate. Davis Mental Health's Western Wilderness Institute operation is inappropriately subsidizing recreational opportunities for private organizations that include the director's family. Overall, the institute's subsidy of activities for private groups cost taxpayers at least \$27,800 in 1995 and \$26,100 in 1996. Davis officials have consistently stated that these trips are used for prevention-based therapy and that revenues collected from private groups cover the cost of their trips even though their own accounting proves otherwise. Such a prevention program may not be the best use of funds which may be better utilized spent on clients with greater need or in programming that addresses a greater number of people. Because the institute subsidizes the cost of non-client trips, there is a likelihood that the institute unfairly competes with private business as it is able to charge lower fees than commercial operators. Further, the institute has poor management controls that have resulted in lost inventory.

Director Inappropriately Used Private Funds. Actions taken by the board of an associated organization on behalf of the director have not always been in the best interest of Davis Mental Health clients or the donors providing funds for that group. Given the nature of the organization's activities and funding, we believe that the existence of the associated organization is redundant and may actually inhibit Davis policies and directives. Existing on donated funds meant for Davis client-care programs, the associated organization does not appear to have a valid reason for duplicating Davis expenses. That organization receives between \$40,000 and \$50,000 in donations each year and uses the funds for activities that do not appear appropriate, including: property litigation, Davis director's travel expenses, equipment purchases, an annual party, golf tournaments, and administrative expenses that unnecessarily duplicate Davis expenses.